

UNITED STATES OF AMERICA
DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION

IN THE MATTER OF
PayPal, Inc.
2145 Hamilton Ave.
San Jose, California 95125

SETTLEMENT AGREEMENT
AND RELEASE OF CLAIM TO
PROPERTY

PayPal, Inc., a Delaware corporation (hereinafter, "PAYPAL"), a recently-acquired subsidiary of eBay Inc., and eBay Inc., a Delaware corporation (hereinafter "EBAY"), by PAYPAL's and EBAY's undersigned attorney, pursuant to authority granted by their Boards of Directors or duly authorized corporate officers, as evidenced by the "Attachment A," attached and incorporated herein by reference, and the United States Attorney's Office for the Eastern District of Missouri (hereinafter, the "United States") enter into this Settlement Agreement and Release of Claim to Property (the "Agreement").

1. PAYPAL and EBAY (a) shall present, at the time it executes this Agreement, to a Special Agent of the Federal Bureau of Investigation - St. Louis Division (hereinafter, the "FBI") PAYPAL's or EBAY's cashier's check immediately payable to the United States Marshal's Service in the amount of TEN MILLION U.S. DOLLARS (\$10,000,000.00 USD); (b) shall relinquish all rights to the funds represented by the check; and (c) neither PAYPAL nor EBAY shall then or thereafter contest the forfeiture of those funds to the United States.

2. The FBI shall immediately seize the funds the check represents and implement uncontested administrative forfeiture proceedings against those funds, with the cashier's check being immediately deposited into an appropriate U.S. Marshal's Service holding account until

the administrative forfeiture is finalized, at which time the funds will be deposited into an appropriate United States forfeiture fund, pursuant to the law, for use or distribution in accordance with law.

3. The above-described payment and forfeiture to the United States constitutes a full and complete settlement and adjustment of the differences of the parties to this Agreement regarding the forfeitability, and amount of forfeitable funds, resulting from this conduct of PAYPAL prior to its acquisition by EBAY and involving PAYPAL's processing of payments to and from offshore gambling enterprises conducting, in whole or part, on-line and other sportsbookmaking and casino-type gambling activities in the United States and alleged to be in violation of federal law. PAYPAL's conduct upon which this forfeiture rests occurred between approximately mid-June, 2000, and November, 2002, in the Eastern District of Missouri, and elsewhere. In particular, the United States alleges that on or about and after October 26, 2001, until approximately November, 2002, PAYPAL conducted a money transmitting business which affected interstate and foreign commerce and involved the transmission of funds that PAYPAL knew, or should have known, were derived from criminal offenses, or funds intended to be used to promote or support unlawful activity, including violations of the federal Wire Wager Act, of federal wagering excise tax laws, and of various states' statutes and municipal laws prohibiting gambling, either outright or absent regulation, licensing and/or taxation by the particular states and municipalities. These repeated alleged violations of Title 18, United States Code, Sections 2, 1084 and 1960, inter alia, produced revenues and profits to PAYPAL. These funds are alleged proceeds and involved in the aforesaid criminal conduct and are represented in full by the TEN MILLION U.S. DOLLARS (\$10,000,000.00 USD) payment described above, the forfeiture of which to the United States is the object of all parties to this Agreement, together with the mutual

release of all civil claims and defenses the parties might otherwise have asserted in administrative or judicial forfeiture proceedings based upon the conduct described herein. These funds are, the United States contends, forfeitable to the United States pursuant to federal law, including Title 18, United States Code, Sections 981, et. seq., and 1963, and related regulations. EBAY and PAYPAL do not agree that all of the conduct described in this paragraph violates federal, state or other laws, but they have agreed to this settlement to resolve any potential federal forfeiture liability that might arise from that conduct. Nothing in this Agreement is intended to limit any defenses that either company may have in any other proceedings. Nothing in this agreement constitutes an admission as to the validity of any claim or potential claim or as to any asserted liability, deficiency, fault, error or admission.

4. PAYPAL and EBAY expressly agree that they, and each of them, shall not through attorneys, directors, agents, officers, employees or otherwise make any public statement in any public forum contradicting paragraph 3 of this Agreement, except in connection with the defenses of any subsequent legal or administrative proceedings. Any such contradictory public statement by PAYPAL or EBAY or either's attorneys, directors, agents, officers, employees or otherwise shall constitute a breach of this Agreement and the United States would then not be bound to limit its forfeiture proceedings based upon PAYPAL's conduct described above, at paragraph 3, to TEN MILLION U.S. DOLLARS (\$10,000,000.00 USD) nor would the United States have any obligation to return all or part of the forfeited funds. Upon the United States' notifying PAYPAL and/or EBAY of a public statement by any such person that in whole or part contradicts a statement of fact contained in this Agreement, PAYPAL and EBAY may avoid a breach of this Agreement by publicly repudiating such statement within 48 hours after notification by the United States.

5. The United States Attorney's Office for the Eastern District of Missouri has determined that since it formally notified PAYPAL and EBAY of the United States' intent to forfeit funds, PAYPAL and EBAY have approached the issues raised by that notice in a laudable, cooperative and conciliatory manner and have assisted in, and promised to continue to assist in, investigations conducted by the United States and its law enforcement agencies.

6. PAYPAL and EBAY agree that each shall: (a) provide to the United States, on request, and in accordance with applicable laws and pursuant to presentation of proper legal process, any relevant non-privileged document, electronic data or other object in either's possession, custody or control concerning any matters pertaining to possible criminal violations involving: Transmission of Wagering Information, Unlicensed Money Transmitting Business, Racketeer-Influenced Corrupt Organization activity, the Bank Secrecy Act, or the evasion and/or accurate determination, assessment and collection of federal wagering excise and/or federal income tax(es). Whenever such data is in electronic format, PAYPAL and/or EBAY shall provide access to such data and assistance in operating computer and other equipment as necessary to retrieve the data. If such documents, data or other objects are in overseas locations, PAYPAL and/or EBAY will make reasonable efforts to make the items available to the United States in accordance with law; and (b) completely, fully and timely comply with all legal obligations, record keeping and reporting requirements imposed upon each by federal statutes and implementing regulations. The United States has been informed that both PAYPAL and EBAY have corporate compliance programs and this Agreement is not an expression by the United States that those programs are sufficient or insufficient. Nevertheless, to ensure full compliance with the law, PAYPAL will, commencing, within sixty (60) days and continuing for at least two years, adhere to a corporate compliance program designed to ensure PAYPAL's

compliance with federal and state laws and regulations relating to payment processors, including but not limited to the statutes cited above, with the program's chief goal being to ensure PAYPAL acts lawfully in everything it does. The program will, to the extent reasonably possible, develop means to eliminate and minimize risks that merchant accounts, and individual accounts and any other services provided by PAYPAL to its users, might be used to facilitate criminal activity, whether through disguised or mislabeled account activity or otherwise. The program shall be overseen by an independent audit firm selected by the United States from a list submitted by PayPal, Inc., of at least five such independent firms, each firm having at least ten years of business auditing experience and an excellent reputation in its field. The list shall be submitted during the first year following the date of this Agreement. The firm selected to perform this audit function will be compensated for its services by PAYPAL and/or EBAY at prevailing market rates and will issue a public report evaluating the compliance program as of a date not later than two years following the date of this Agreement.

7. Should the United States determine that PAYPAL and/or EBAY committed (a) any federal crime not described by the conduct alleged in paragraph 3, above, or (b) any federal crime alleged in paragraph 3 but outside the time period set out therein, or (c) any federal crime not entirely and presently revealed to the United States by evidence now in its possession as a result of the investigation resulting in the forfeiture described herein, then either corporate entity, or both, shall in the sole discretion of the United States thereafter be subject to prosecution for and/or to forfeitures based upon any federal crimes of which the United States has knowledge, excluding forfeitures based upon the conduct described in paragraph 3, above. Nothing in this Agreement limits the criminal and/or forfeiture liability of any natural person for any criminal act committed at any time. The United States presently has no information, beyond the information

alleged in paragraph 3, above, of conduct by either company that it would construe as a violation of federal law, beyond that paragraph's allegations.

8. PAYPAL and EBAY agree that this Agreement shall be binding on any successor company of PAYPAL or EBAY.

9. This Agreement is binding on PAYPAL, EBAY and the United States, but specifically does not bind any other federal agencies, or any other state or local authorities, although the United States will bring the cooperation of PAYPAL and EBAY and their compliance with obligations under this Agreement to the attention of the state or local prosecuting offices or regulatory agencies, if requested in writing by PAYPAL, EBAY or their attorneys. The government will not seek forfeiture of additional funds from PAYPAL or EBAY based on the conduct alleged in paragraph 3, provided that PAYPAL and EBAY satisfy their obligations under this Agreement.

10. This Agreement does not relate to or cover any criminal conduct or forfeiture liability by any entity or natural person other than the conduct or liability expressly described herein.

11. The parties agree that upon its signing by all parties, through representatives indicated below, this Agreement shall be made public; however, due to on-going federal criminal and forfeiture investigations relating to persons and entities not described in this agreement, identities and details of such persons' and entities' conduct will not be publicly released by any of the parties, unless pursuant to court order or by the United States publicly filing and conducting criminal and/or forfeiture proceedings, or entering into other settlement Agreement(s).

12. This Agreement sets forth all the terms of the Settlement Agreement and Release of Claim to Property between PAYPAL, its corporate parent EBAY, and the United States. No

promises, agreements or conditions have been entered into other than those expressly set forth in this Agreement and none shall be physically attached to this Agreement. This Agreement supersedes any prior promises, agreements or conditions between PAYPAL, EBAY and the United States concerning the specific matters and events described herein.

Acknowledgments

I, JAMES F. BENNETT,

the duly-authorized representative of PayPal, Inc. and eBay Inc., hereby expressly acknowledge the following: (1) that I have discussed this Agreement with each of these clients; (2) that I have fully explained each one of its terms to each client; (3) that I have fully answered each and every question put to me by each client regarding the Agreement; and (4) that I believe each client completely understands all of the Agreement's terms.

7/24/03
Date

James F. Bennett
JAMES F. BENNETT
Bryan Cave LLP
Attorney for PayPal, Inc. and eBay Inc.

On Behalf of the Government

United States Attorney's Office for
the Eastern District of Missouri

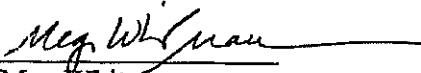
RAYMOND W. GRUENDER
United States Attorney

7/24/03
Date

By: Michael K. Fagan
MICHAEL K. FAGAN
Assistant United States Attorney

7/24/03

The undersigned, the Chief Executive Officer of eBay Inc., has reviewed the draft settlement agreement that had been negotiated with the U.S. Attorney's office for the Eastern District of Missouri and hereby authorizes eBay's and PayPal's Attorney's to enter into a Settlement Agreement and Release of Claim to Property in substantially the form reviewed by the undersigned, and approves the \$10,000,000 forfeiture contemplated by such agreement.


Meg Whitman
Chief Executive Officer

EXHIBIT

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**MINUTES OF A MEETING OF THE
BOARD OF DIRECTORS
OF
PAYPAL, INC.
July 23, 2003**

A telephonic meeting of the Board of Directors of PayPal, Inc. (the "Company") was held at 6:30 p.m. PDT on July 23, 2003. Michael R. Jacobson, Matt Bannick, and Rajiv Dutta, constituting all of the directors of the Company, were present and each confirmed that they could hear each other. Mr. Bannick acted as Chairman and Mr. Jacobson as Secretary

1. Settlement Agreement.

Mr. Jacobson reviewed the draft settlement agreement that had been negotiated with the U.S. Attorney's office for the Eastern District of Missouri. A full discussion ensued. On motion duly made and seconded, the following resolutions were unanimously approved:

RESOLVED, that the Company's Attorney's be, and they hereby are, authorized to enter into a Settlement Agreement and Release of Claim to Property in substantially the form presented to the Board;

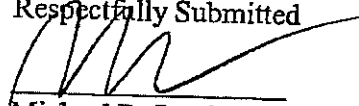
RESOLVED FURTHER, that the \$10,000,000 forfeiture contemplated by such agreement be, and it hereby is, approved; and

RESOLVED FURTHER, that the officers of the Company be, and they hereby are, authorized and directed to take all such actions, and make such filings, as they, in consultation with legal counsel, deem necessary or appropriate in order to effect the intent of the foregoing resolutions.

2. Adjournment

There being no further business, the meeting was adjourned at 6:45 p.m.

Respectfully Submitted


Michael R. Jacobson,
Assistant Secretary